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Ukraine, Factor 18: International Trade

Political Strife Threatens International Trade Policies of Ukraine

A split nation containing vast agricultural potential, Ukraine catches international attention with the reemergence of a Cold War fear: will Ukraine politically and economically side with the West or with Russia? Located as the link between Europe and Russia, political endeavors lock down Ukraine's ability to trade, hindering the food security of the developing country. Furthermore, within Ukraine itself fires unofficial civil war between ethnic Russians and ethnic Ukrainians, desolating crucial agricultural land. A young nation strenuously discovering its national identity with constant outside pressure amplifying its situation, Ukraine's international trade opportunities are decreasing. Ukraine's food security directly relates to the composition of the conflicted state. With polar opposite sides trying to control each other demographically and geographically, Ukraine is split between the East and the West.

The split in Ukraine traces throughout its history. Since the 13th century, Ukraine has been ethnically tied to Russia; the Rus ethnicity branched off from a once conformed Slavic hearth, which was located in Kiev. During the Baroque Period, because of Ukraine's rich agriculture, it was easily conquered by the Russian Empire and utilized for hundreds of years. However, a small, western portion of what is today Ukraine was part of the Austrian Empire, which delegated in European affairs, especially trade. This part of Ukraine alone provided crop that circulated throughout Europe, earning Ukraine the name of the Breadbasket of Europe. Ukraine was, furthermore, a Republic of the Soviet Union, farming over 45 million hectares of land and providing crucial crop for the Soviet Union. However, the Soviet Union harshly punished Ukraine through two famines, which killed millions of Ukrainians; the treatment of the Soviet Union toward Ukraine harbored bitter backlash that would later surface toward the Soviet Union. Throughout the 20th century, Russia has developed a unique culture, which has imprinted onto its former Republics. Russia's power, expressed by arrogance and superiority, has marked its territory over Russian-speaking lands. Although Ukraine gained its independence for the first time in history as soon as the Soviet Union collapsed, it has carried over Soviet Union habits, bitterness toward Russia, along with the struggle to revive from poor economic situations. Although often unheard of, Ukraine has played a critical role throughout history and today in the development of both European states and Russia by providing necessary crop. The habitual mindset of operating under two powerful forces has deeply rooted into many generations of Ukrainian people. Thus, Ukraine's current government and population have extremes in which people either gravitate toward relying on trade with the European Union (EU) or toward relying on trade with Russia.

Ukraine's history provides insight to the reason why Ukraine's split creates such complexity in its current trade crisis. Demographically, Eastern Ukraine comprises of 17% ethnic Russians with 12% of Ukraine's population claiming Russian to be their native language. On the other hand, Central and Western Ukraine comprises of 78% majority of ethnic Ukrainians with 87% of Ukraine's population claiming Ukrainian to be their native language ("Ukraine." *CultureGrams*). Furthermore, Ukraine is split by physical geography. On one hand, Eastern Ukraine is agriculturally intensive, holding 30% of the black soil of the world and 32 million hectares of soil. Mainly exporting sunflower oil, wheat, corn, barley, soybean, and poultry, agriculture is Ukraine's number one export, sending 64% of produce to the EU and \$16.1 billion in trade to Russia (Pavlenko "Ukraine's Role in Agricultural Trade and Food Security in the Mediterranean). With new technology introducing machinery and dabbling into biotechnology, Eastern Ukraine's agriculture is sustained through a one-in-seven crop rotation ("World Data Center."). On the other hand, Western Ukraine provides another input for revenue. Western Ukraine comprises of steppes, providing mining sites to flourish in the top 20 in the world; coal reserves alone amount to \$47.1 billion a year ("Ukraine."

Observatory of Economic Complexity). Furthermore, Western Ukrainian citizens utilize accessible, European states to travel for jobs. The complexity of the split within Ukraine can be observed with the combination of demographics and geography. While Eastern Ukraine is filled with agricultural land, generating millions of dollars in revenue, it is inhabited by ethnic Russians. However, the land of which ethnic Russians cultivate is regulated by a pro-Western, ethnically Ukrainian leaders.

In the 21st century, world politics and Ukraine's divide inhibits the country's capabilities in international trade, harming both Eastern Ukrainians and their trade partners. The 2014 crisis became inflamed because of Ukraine's jumping relations with Europe and with Russia. Ukraine mainly exports raw materials such as iron, steel, mining products, chemical products, and machinery to the EU ("European Commission Directorate-General for Trade."). Meanwhile, Ukraine also exports soybean oil, corn, wheat, and barley to Russia in return for Russia importing 90% of Ukraine's much-needed oil ("EU-Ukraine Free Trade 'set for 2016 - BBC News"). Depending on the political leaders of Ukraine, these international trade relations fluctuate from West to East under Ukraine's parliamentary democracy.

Ukraine's current crisis stems from the rule of a pro-Russian government: under the presidency of Viktor Yanukovich. In 2013, President Yanukovich was accused of being bullied by Russia to back out of a trade agreement with the EU, an agreement aimed at expanding trade and integrating Ukraine into the EU along with providing a \$17 billion loan from the International Monetary Fund ("EU-Ukraine Free Trade 'set for 2016 - BBC News"). Yanukovich's decision sparked a revolt in Western Ukraine in 2014, as protesters rallied against the pro-Russian government's cancellation of a commitment that would be beneficial for Western Ukraine's trade with the EU. Eventually, Ukraine's parliament voted to impeach Yanukovich, and the deposed leader fled to refuge in Russia. In his place, parliament appointed pro-Western Oleksandr Turchynov as interim president along with installing foreign-born individuals who merely received citizenship hours before swearing into key ministries (Mousseau "The Corporate Takeover of Ukrainian Agriculture"). Within five months, Ukraine and the EU officially signed the Deep and Comprehensive Free Trade Area (DCFTA) and the Association Agreement (AA) on June 27, 2014, which would eliminate high tariff rates and provide beneficial trade opportunities between Ukraine and Europe.

Currently, Ukraine is under a pro-Western President Petro Poroshenko. For Western Ukraine, the agreements signed with the EU are ideal; for example, in 2013, more than 70% of Ukrainian exports to the EU of machinery and mechanical appliances, plants, oils, base metals, chemicals, and textiles benefitted from preferential tariffs. However, in Eastern Ukraine, these agreements proved to be the opposite. As a result of the impeachment of Yanukovich, in February of 2014, President of Russia Vladimir Putin initiated an annexation of Crimea from Ukraine, which is a peninsula rich in oil and gas resources. Along with the annexation, Ukrainian citizens in Crimea are mainly of Russian ethnicity and further voted to secede from Ukraine to join Russia. Within one month of Russia's bold move, the United Nations (UN) General Assembly proclaimed with 100 votes in favor, 11 against, and 58 absentees to not recognize any change in status of Crimea ("General Assembly Adopts Resolution Calling upon States Not to Recognize Changes in Status of Crimea Region"). With this decision, the United States, Canada, Australia, and Europe enacted a series of three waves of embargoes on Russia. In return, Russia sanctioned against the Western Ukraine government, closing its own borders to a wide range of Ukrainian foods. In April of 2014, Ukraine under pro-Western leadership too made the political decision to close its borders between Russia, limiting international trade for Eastern Ukrainians, especially in agriculture. As a result, Eastern Ukrainian separatists have sparked an unofficial war in Donetsk and Luhansk in Eastern Ukraine with civilians supplied with arms supposedly provided by Russia, fueling fire to the political and physical battles (Oliphant "Ukraine Bans Russian Foods as Trade War Escalates").

Political battles have threatened food security in Ukraine primarily by the lack of international trade, creating many disastrous effects onto Ukrainian society. Eastern Ukrainians both do not have an outlet to

sell their crop, as Russia was the primary trade partner in agriculture, and are engaged in warfare with the death toll to about 6,000 people in the Donetsk area. Rebel fighting endangers the development of the country as gross domestic product (GDP) has decreased more than 6% ("Ukraine" *CultureGrams*) with agriculture at 17% share of the GDP in 2014 (Pavlenko "Ukraine's Role in Agricultural Trade and Food Security in the Mediterranean"). It is estimated that Ukraine will lose \$600 million in exports in 2016 because of the Russian embargo alone ("Russia Bans Food Imports from Ukraine") as crop value will decrease because of a reduced market. Less wheat, barley oats, corn, pork, and chicken will be produced in specific. In return, diminution of productivity has affected workers on farms. Ukraine's farms are not controlled by individual farm owners or families; rather, Ukrainian or foreign companies employ workers who have completed nine years of general schooling and vocational school. Thus, Ukrainian farms do not have a specific farm size as the land is distributed by companies such as Monsanto, Cargill, and DuPont, Bunge, Pioneer, and John Deere (Oakland Institute "The Corporate Takeover"). Because Ukraine consumes a large portion of its own crop, agribusiness is decreasing along with the food being bought by civilians. Compared to 2015, Ukraine's planted acres are 20% less than 2014 ("For wheat: A bad news and good news scenario"). Ultimately, Ukraine's agriculture is not at its potential because of the numerous limitations on international trade as prices rise and productivity decreases.

The impact of war is apparent on the average Ukrainian citizen. Previously, on average, a Ukrainian receives about \$683 in monthly income ("Ukraine." *CultureGrams*). However, Eastern agribusinessmen make around \$300 in monthly income, a salary already lower than average. Ever since Ukraine closed its borders to Russia, an agribusinessmen's salary has dropped another \$150-\$200 per month, with families spending money only on gas, light, water, and food (Prochenko "FAO Report"). Financial burden stresses onto Ukrainian parents as each family provides for an average of one to two kids. Additionally, teenagers under 18 cannot get a job to help earn money; they must rely on the male in the family as they receive their 11.3 year average education in the mandatory school system. Food shortages have also led to diet changes in Ukraine. Traditionally, Ukrainians eat borsch at home, a soup that contains cabbage, beets, potatoes, carrots, and meat ("Ukraine." *CultureGrams*). All items are usually found at local farmer's market, as most buy their produce fresh. Processed food is accessible, however, only at stores in cities. Since food prices are rising, more and more Ukrainians are reverting back to the tradition of keeping a small garden to save more money (Popova). Furthermore, all Ukrainians have access to healthcare. However, many people do not trust governmental hospitals and go to private clinics, which they have to pay for all costs, including surgeries and medicine, further causing financial strain. Lastly, gas and oil prices are spiking up because Russia's embargo halted the flow of gas into Ukraine along with the annexation of Crimea, the only land of Ukraine rich in gas (Popova). Ultimately, Eastern Ukrainians' daily lives are governed by outside forces; all of which, refuse to hear their voice and recognize their struggles. Embargoes placed from both Western countries and Russia are neglecting the welfare of the average Ukrainian and food security in precedent over political "what ifs."

Ukraine's crisis not only affects Ukrainian society, but also multiple factors in food security. Perhaps the factor most affected is conflict resolution; fighting between both pro-Western and pro-Eastern protesters have caused distress within the country since 2014, especially since Ukraine is still engaged in war. Furthermore, both the Western Ukrainian government and Russian government are stubbornly lined behind their respective borders, awaiting for the other to make the first move. If fighting broke out between Russia's 200,000 man army and Ukraine's 6,000 man army, detrimental consequences would result even further for Ukraine's economic and political situation ("The Chart That Explains Why Ukraine Can't Fight Russia"). In addition, the rest of the world is also speculating Ukraine's situation with the UN overturning the legality of Russia's annexation of Crimea and Ukraine rebels shooting down the Malaysia Airlines Flight 17, killing 298 people ("MH17 Malaysia Plane Crash"). Solving the fighting within Ukraine would both relieve tensions within the country and in the international community. Those fighting in Eastern Ukraine would also be able to return to their jobs and more productivity and revenue would result in agriculture, improving the potential along with feeding the families. Another effect of

Ukraine's situation on food security is the factor of governance. Ukraine has proved to elect extreme presidents on both sides of the spectrum; protests have occurred under the pro-Western government along with the pro-Russian government. Even worse, in both pro-Western and pro-Russian governments, corruption has occurred. President Yanukovich was under the influence of President Putin in purposely steering Ukraine in the direction to benefit Russia; on the other hand, President Turchynov elected foreign-born ministries in the government in order to Westernize his cabinets. Ukraine needs a leader who will appease to both ethnic Ukrainian and ethnic Russians in order for the country to live in harmony. Another food security factor affected by Ukraine's conflict is the hindering of plant science in the agriculture. Currently, 2.8 million hectares of Ukrainian black soil is controlled by agribusiness companies such as Monsanto, Cargill, and DuPont (Mousseau "The Corporate Takeover of Ukrainian Agriculture"). Introducing new technologies, these businesses are implementing contemporary biotechnology practices on fertile land, especially genetically modified organisms to increase crop yield. Because of the fighting and lack of trade, the plant science provided to Ukraine is not being utilized and further curbing the agricultural potential.

In order for Ukraine to return to peace and secure food production, measures must be installed by Ukraine and the international community. First and foremost, Ukraine must establish a government consisting of neither pro-Western nor pro-Russian bias to compromise the split within Ukraine. This requires Ukraine to develop a reliable and trustworthy election system, an establishment that the UN could encourage. Another idea could be for the UN to employ a third party to step into leadership in Ukraine, a party with no ties to Russia, the EU, or any countries that have enacted embargoes onto Russia. In doing so, Eastern Ukrainian separatists, along with all parties in Ukraine may feel as though they are not neglected by the government. Second, the neutral Ukrainian government should create a compromise for the Russian separatists to cease fighting. A compromise that would benefit both Western and Eastern Ukraine would be to keep the agreements established between the EU and Ukraine to benefit trade tariffs along with creating more trade opportunities to Russia in agriculture. Ukraine needs to have the ability to be neutral and make its own decision regarding international trade policies rather than being influenced by politically biased powers. Furthermore, the United States can also play a passive role in allowing Western countries and Russia to lift their embargoes. Because so many American biotechnology companies already have a strong foothold within Ukraine's agriculture, Ukraine has the potential to develop into a modern agricultural state and produce competitive crop in the international market. If the United States government encouraged these biotechnology companies to promote technology and infrastructure in farming in Ukraine through tax deductions, and agriculture became stimulated in Ukraine, speculating states throughout the world could recognize the trade opportunities that could open once again for Ukraine. To put into perspective, if Ukraine used the same farming technology and practices of an average Kansas farm, Ukrainian land would be producing around 276,758,027 bushels of wheat from the 2.8 million hectares of land owned by American companies. On one hand, Ukraine may develop new trade partnerships with other countries in the world. On the other hand, Russia may identify that Ukraine is an asset that they do not want to lose, and thus, may lift their embargo on Ukraine. This would open the flow of trade to allow Ukraine to produce and export crop into Russia or other states. Furthermore, this would allow Ukraine to receive oil and gas once again and reduce consumer prices. However, the first step would call for local Ukrainians to rise up to their duty and elect a leader that will benefit to both extremes of the country and choose to cease fighting for the better of the country. To ensure food security in Ukraine, political based actions need to be eliminated from Ukraine; Westerners should not let a past fear hinder the development of struggling lives in this modern, global community.

Ukraine is a crucial country in the international community because of its potential for vast agricultural success. However, under current conflicts with civil war and tension on its borders, a large portion of Ukraine's 32 million hectares of black soil is seen by Ukrainians as graveyards and wastelands. Although worldwide companies investments in new technology and plant science for Ukraine increases, productivity, on the other hand, decreases. The heart of the struggles of Ukrainians stems from the

limitations enacted on the international trade policies of Ukraine. In order for Ukraine to ensure food security in the future, the international community must recognize the toil that average Ukrainians face every day and forget the historical ties that inhibit compromise within Ukraine. To relieve Ukrainians from their current rut, embargoes must be lifted, fighting must be compromised, and people's voices must be heard. It is vital for the international community to provide Ukrainians a feeling of solace rather than forcing Ukraine to become pro-Western or pro-Russian.

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